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MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURTUNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOISRAPHAEL NACH, Individually and on Behalf
of all Others Similarly Situated,

Plaintiff,

v.

LINDA S. HUBER,

Defendant.

No.

07CV4071

COI

JUDGE CASTILLO

MAG. JUDGE VALDEZ

JURY TRIAL DEMANDED

Plaintiff, Raphael Nach ("Plaintiff"), by his undersigned counsel, alleges the following upon personal knowledge as to Plaintiff and Plaintiff's own acts, and upon information and belief based upon the investigation of Plaintiff's attorneys as to all other matters. The investigation includes the thorough review and analysis of public statements, publicly filed documents of Moody's Corporation ("Moody's" or the "Company"), press releases, news articles and other information readily available on the Internet. Plaintiff believes that further substantial evidentiary support will exist for the allegations set forth below after a reasonable opportunity for discovery.

SUMMARY OF ACTION

1. Plaintiff brings this action individually and on behalf of all purchasers of the common stock of Moody's between October 25, 2006 and July 10, 2007, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").
2. Moody's Corporation, through its subsidiaries, provides credit ratings, research, and analysis covering fixed-income securities, other debt instruments and the entities that issue such instruments in the global capital markets.
3. Among other things, the Company assigns ratings to mortgage bonds comprising

risky “subprime” home loans, including bonds packaged as “collateralized debt obligations” and other securities backed by subprime assets. Investors rely on these ratings to assess the value and risk of these investments. While the nation’s housing market was booming, Moody’s reaped millions of dollars in fees for assigning ratings to subprime-mortgage-backed securities.

4. Throughout the Class Period, Defendant misrepresented or failed to disclose that the Company assigned excessively high ratings to bonds backed by risky subprime mortgages – including bonds packaged as collateralized debt obligations – which was materially misleading to investors concerning the quality and relative risk of these investments. Moreover, even as a downturn in the housing market caused rising delinquencies of the subprime mortgages underlying such bonds, Moody’s maintained its excessively high ratings, rather than downgrade the bonds to reflect the true risk of owning subprime-mortgage-backed debt instruments.

5. Then, on July 11, 2007, Moody’s shocked investors when it announced that the Company was downgrading 399 mortgage-backed securities issued in 2006 and reviewing an additional thirty-two for downgrade, affecting approximately \$5.2 billion of bonds. The Company also disclosed that it had downgraded 52 bonds issued in 2005.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to: (a) Section 27 of the Exchange Act, 15 U.S.C. § 78aa; and (b) 28 U.S.C. §§ 1331 and 1337.

7. This action arises under and pursuant to: (a) Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b); (b) Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5; and (c) Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

8. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15

U.S.C. § 78aa.

9. In furtherance of and in connection with the acts alleged herein, Defendant directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephonic communications, the Internet, and the facilities of the New York Stock Exchange (the “NYSE”), a national securities exchange.

PARTIES

10. Plaintiff Raphael Nach purchased Moody’s Corporation securities during the Class Period, as set forth in the attached Certification, and was damaged thereby.

11. Defendant Linda S. Huber (hereinafter, “Huber” or “Defendant,”) is the Company’s Chief Financial Officer (“CFO”) and Executive Vice President.

12. Because of Defendant’s positions with the Company, she had access to the adverse undisclosed information about the Company’s business, operations, operational trends, financial statements and markets via access to internal corporate documents (including the Company’s operating plans, budgets, forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management meetings and committees thereof and via reports and other information provided to her in connection therewith.

13. Defendant Huber, by virtue of her high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements, and financial condition, as alleged herein. Huber was involved in drafting, producing, reviewing

and/or disseminating the false and misleading statements and information alleged herein, was aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

14. As an officer and controlling person of a publicly held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was, and is, traded on the New York Stock Exchange ("NYSE") and governed by the provisions of the federal securities laws, Defendant Huber had a duty to disseminate promptly, accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management and earnings, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly traded common stock would be based upon truthful and accurate information. Defendant Huber's misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

15. Defendant Huber participated in the drafting, preparation, and/or approval of the various public and shareholder and investor reports and other communications complained of herein and was aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and was aware of their materially false and misleading nature. Because of Defendant Huber's executive and managerial positions with Moody's, she had access to the adverse undisclosed information about Moody's financial condition and performance as particularized herein and knew (or recklessly disregarded) that these adverse facts rendered the positive representations made by or about Moody's and its business issued or adopted by the

Company materially false and misleading.

16. Defendant Huber, because of her positions of control and authority as an officer of the Company, was able to and did control the content of the various SEC filings, press releases and other public statements pertaining to the Company during the Class Period. Defendant Huber was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, Huber is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

17. Defendant is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Moody's common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding Moody's business, operations and prospects and the intrinsic value of Moody's common stock; and (ii) caused Plaintiff and other members of the Class to purchase Moody's common stock at artificially inflated prices.

SUBSTANTIVE ALLEGATIONS

Background

18. Moody's Corporation is a provider of credit ratings, research and analysis covering fixed-income securities, other debt instruments, and the entities that issues such instruments in the global capital markets. The Company's operates in two segments: Moody's Investors Service and Moody's KMV. Moody's KMV develops and distributes quantitative credit risk assessment products and services for banks, corporations and investors in credit-

sensitive assets. Moody's Investors Service publishes rating opinions on a broad range of credit obligations issued on domestic and international markets, including various corporate and governmental obligations and structured finance securities. Moody's Investors Service also publishes investor-oriented credit information, research and economic commentary, including in-depth research on major debt issuers, industry studies and credit opinion handbooks. Investors utilize Moody's research and credit rating to analyze the credit risks associated with fixed-income securities.

False and Misleading Statements During the Class Period

19. On October 25, 2006, the first day of the Class Period, Moody's issued a press release announcing its financial results for third quarter 2006. The press release stated in relevant part as follows:

Moody's Corporation Reports Results for the Third Quarter of 2006

NEW YORK--(BUSINESS WIRE)--Oct. 25, 2006--Moody's Corporation (NYSE: MCO) today announced results for the third quarter of 2006.

Summary of Results for Third Quarter 2006

Moody's reported revenue of \$495.5 million for the three months ended September 30, 2006, an increase of 18% from \$421.1 million for the same quarter of 2005. Operating income for the quarter was \$268.8 million and rose 16% from \$231.9 million for the same period of last year. Diluted earnings per share were \$0.55, 15% higher than \$0.48 in the third quarter of 2005. Results for the quarter included \$20.0 million of expense related to stock options and other stock-based compensation plans, equivalent to \$0.04 per diluted share, compared with \$13.3 million, or \$0.02 per share, in the prior-year period. Results for the third quarter of 2005 also included an \$11.5 million reduction to tax reserves, equivalent to \$0.04 per diluted share, related to legacy tax matters that Moody's assumed in connection with its separation from The Dun & Bradstreet Corporation in 2000 and which are described in Moody's annual and quarterly SEC filings.

Raymond McDaniel, Moody's Chairman and Chief Executive Officer,

commented, "Moody's reported strong results for the third quarter of 2006 due largely to better than expected performance from our U.S. and European structured finance and corporate finance ratings businesses. Based on Moody's strong results for the first nine months of 2006 we now believe that results for the full year 2006 will exceed our prior outlook."

In addition to its reported results, Moody's has included in this earnings release certain adjusted results that the Securities and Exchange Commission defines as "non-GAAP financial measures." Management believes that such non-GAAP financial measures, when read in conjunction with the company's reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the company's growth. These non-GAAP financial measures relate to: (1) presenting results for the third quarter of 2005 and the first nine months of both 2006 and 2005 before adjustments for income tax exposures related to legacy income tax matters that Moody's assumed in connection with its separation from The Dun & Bradstreet Corporation in 2000 and which are described in Moody's annual and quarterly SEC filings; and (2) presenting results for the third quarter and first nine months of both 2006 and 2005 before the impact of expensing stock-based compensation, which is being phased in over a four year period for stock awards commencing in 2003. In addition, the 2006 outlook presented below includes a discussion of projected 2006 diluted earnings per share growth excluding the impact of: legacy income tax adjustments, the expensing of stock-based compensation, and any potential gain on the sale of Moody's headquarters building. Attached to this earnings release are tables showing adjustments to Moody's results for the third quarter and first nine months of 2006 and 2005 to arrive at non-GAAP financial measures excluding the impacts noted above.

Third Quarter Revenue

Revenue at Moody's Investors Service for the third quarter of 2006 was \$459.6 million, 19% greater than in the prior year period. Foreign currency translation, mainly due to the weakness of the U.S. dollar relative to the euro, increased revenue growth by approximately 50 basis points and had a minimal impact on operating income growth.

Ratings revenue totaled \$394.0 million in the quarter, rising 19% from a year ago. Within the ratings business, global structured finance revenue totaled \$217.7 million for the third quarter of 2006, an increase of 25% from a year earlier. U.S. structured finance revenue rose 18%, benefiting from very strong growth from rating credit derivatives and higher revenue from rating residential mortgage-backed securities, which more than offset a year-over-year decline from the asset-backed securities business. International structured finance revenue rose

41%, benefiting from broad-based growth across the European business.

Global corporate finance revenue of \$91.2 million in the third quarter of 2006 rose 17% from the same quarter of 2005. Revenue in the U.S. rose 20% from the prior year period as robust growth from rating bank loans more than offset a year-over-year decline in revenue from rating speculative grade bonds. Outside the U.S., corporate finance revenue increased 13% driven by strong growth in revenue from European investment grade ratings.

Global financial institutions and sovereigns revenue totaled \$64.1 million for the third quarter of 2006, 10% higher than in the prior year period. Revenue increased 9% in the U.S. driven in part by new ratings mandates in the finance, real estate and insurance sectors. Outside the U.S., revenue grew 10% based largely on growth in issuer ratings for European banks.

U.S. public finance revenue was \$21.0 million for the third quarter of 2006, 4% lower than in the third quarter of 2005, with an increase in new money issuance more than offset by a sharp decrease in refundings.

Moody's global research revenue rose to \$65.6 million, increasing 22% from the same quarter of 2005. The quarter's results reflect higher revenue from selling Moody's credit research, licensing Moody's data to third parties, selling analytic tools, and providing credit training and economic research.

Revenue at Moody's KMV was \$35.9 million for the quarter, up 3% from the strong prior year period, which had benefited from several large one time software and services sales.

Moody's U.S. revenue of \$310.3 million for the third quarter of 2006 was up 16% from the third quarter of 2005. International revenue of \$185.2 million was 20% higher than in the prior year period and included approximately 120 basis points of positive impact from currency translation. International revenue accounted for 37% of Moody's total in the quarter, unchanged from the year-ago period.

Third Quarter Expenses

Moody's operating expenses were \$226.7 million in the third quarter of 2006, 20% higher than in the prior year period. This increase was driven primarily by higher personnel costs, various technology investments, and the phase-in of equity-based compensation begun in 2003. The quarter's stock-based compensation expense was \$20.0 million compared with \$13.3 million in the 2005 period. Moody's operating margin for the third quarter of 2006 was 54% compared with 55% in the prior year period.

Third Quarter Effective Tax Rate

Moody's effective tax rate was 40.9% for the third quarter of 2006 compared with 37.5% for the prior year. The increase in the effective tax rate was largely due to a favorable IRS settlement of a legacy tax matter in the prior year period.

Year-to-date Results

Revenue for the first nine months of 2006 totaled \$1,447.1 million, an increase of 15% from \$1,258.4 million for the same period of 2005. Operating income of \$796.2 million was up 14% from \$697.2 million for the same period of 2005. Currency translation had a negative impact on these results, reducing revenue growth by approximately 50 basis points and operating income growth by approximately 80 basis points. Diluted earnings per share for the first nine months of 2006 were \$1.61, 20% higher than the \$1.34 for the prior year period.

Earnings per share for the first nine months of 2006 included \$54.6 million of expense related to stock options and other stock-based compensation plans, or \$0.12 per share, compared with \$42.5 million of similar expense, or \$0.08 per share, for the first nine months of 2005. Results for the first nine months of 2005 included a charge of \$9.4 million, equivalent to \$0.02 per diluted share, for the settlement of sales tax matters related to Moody's operations in Japan from 2000 through June 30, 2005, and an \$8.8 million net reduction in tax reserves, equivalent to \$0.03 per diluted share, primarily related to legacy income tax exposures.

Ratings and research revenue at Moody's Investors Service totaled \$1,344.0 million for the first nine months of 2006, an increase of 16% from the prior year period. Global ratings revenue was \$1,154.7 million for the first nine months of 2006, up 15% from \$1,004.7 million in the same period of 2005. Research revenue rose to \$189.3 million for the first nine months of 2006, up 20% from the prior year period. Finally, revenue at Moody's KMV for the first nine months of 2006 totaled \$103.1 million, 8% higher than in the prior year period.

Share Repurchases

During the third quarter of 2006, Moody's repurchased 2.9 million shares at a total cost of \$168 million, which more than offset less than 1 million shares issued under employee stock compensation plans. Since becoming a public company in October 2000 and through September 30, 2006, Moody's has repurchased 82.1 million shares at a total cost of \$2.7 billion, including 37.5 million shares to offset shares issued under employee stock plans. At quarter-end, Moody's had approximately \$1.9 billion of share repurchase authority remaining.

Assumptions and Outlook for Full Year 2006

Moody's outlook for 2006 is based on assumptions about many macroeconomic and capital market factors, including interest rates, corporate profitability and business investment spending, merger and acquisition activity, consumer spending, residential mortgage borrowing and refinancing activity, and securitization levels. There is an important degree of uncertainty surrounding these assumptions and, if actual conditions differ from these assumptions, Moody's results for the year may differ from our current outlook.

Based on Moody's stronger than expected results for the first nine months of 2006 we have made a number of revisions to our outlook for the full year 2006. For Moody's overall, we now project revenue growth in the low teens percent range for the full year 2006. This assumes foreign currency translation for the remainder of the year at current exchange rates, which would result in no material full year impact from currency translation. We now expect the operating margin before the impact of expensing stock-based compensation to be flat to up 50 basis points in 2006 compared with 2005. Among other things, this reflects our increased outlook for revenue and excludes any potential gain on the sale of Moody's headquarters building. The margin outlook continues to reflect investments we are making to: expand internationally; improve our analytical processes; pursue ratings transparency and compliance initiatives; introduce new products; and improve our technology infrastructure.

For 2006, we project year-over-year growth in non-GAAP diluted earnings per share in the high teens to low twenties percent range. This forecast excludes the impacts of adjustments related to legacy tax matters in 2005 and 2006, the expensing of stock-based compensation in 2005 and 2006, and any potential gain on the sale of Moody's headquarters building. This year represents the final year of "phasing in" of expense related to stock-based compensation, which we began in 2003. The impact of expensing stock-based compensation is expected to be in the range of \$0.15 - \$0.17 per diluted share in 2006, compared to \$0.10 per diluted share in 2005.

In the U.S., we forecast low to mid-teens percent revenue growth for the Moody's Investors Service ratings and research business for the full year 2006. In the U.S. structured finance business, we expect revenue for the year to rise in the mid-teens percent range from the record level of 2005. We now expect revenue from rating residential mortgage-backed securities (including home equity securitizations) to be essentially flat compared with 2005. In addition, we are expecting strong growth from rating credit derivatives and commercial mortgage-backed securities.

In the U.S. corporate finance business, we expect revenue growth of

approximately twenty percent for the year including good growth from rated bonds and bank loans.

In the U.S. financial institutions sector, we expect revenue to grow in the low teens percent range for the year reflecting new entrants to the debt capital markets and fee increases partly related to the Enhanced Analysis Initiative.

For the U.S. public finance sector, we expect revenue for 2006 to decline in the double-digit percent range as rising interest rates should continue to slow refinancing activity. We continue to expect strong growth in the U.S. research business at better than twenty percent.

Outside the U.S. we still expect ratings revenue to grow in the low teens percent range. This forecast assumes that foreign currency translation will have no material impact on revenue growth for the year. Our outlook assumes mid-teens to low twenties percent growth for all major business lines except financial institutions, where we expect international revenue to be essentially flat.

Our outlook for Moody's KMV globally anticipates growth in net sales and revenue from credit risk assessment subscription products, credit decision processing software, and professional services. We continue to expect this will result in high single-digit percent growth in revenue, with greater growth in profitability.

* * *

20. On November 2, 2006 Moody's filed its quarterly report for the period ended September 30, 2006 with the SEC on Form 10-Q, which was signed by Defendant and reaffirmed the Company's previously announced financial results. Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), the Form 10-Q included a certification signed by the Defendant stating that the Form 10-Q did not include any material misrepresentations.

21. On February 7, 2007, Moody's issued a press release announcing its financial results for fourth quarter and full-year 2006. The press release stated in relevant part as follows:

Moody's Corporation Reports Results for Fourth Quarter and Full Year 2006

* Revenue increased 25% in 4Q06 and 18% for FY06

- * Reported 4Q06 EPS of \$0.97 included a gain of \$0.33 for building sale

- * EPS grew 28% in 4Q06 and 23% for FY06, excluding the gain

NEW YORK--(BUSINESS WIRE)--Feb. 7, 2007--Moody's Corporation (NYSE: MCO) today announced results for the fourth quarter and full year 2006.

Summary of Results for Fourth Quarter 2006

Moody's reported revenue of \$590.0 million for the three months ended December 31, 2006, an increase of 25% from \$473.2 million for the same quarter of 2005. Operating income for the fourth quarter was \$463.3 million, which included a one-time gain on the sale of Moody's 99 Church Street building in New York. Excluding the gain, operating income of \$302.7 million rose 25% from \$242.4 million in the year-ago period. Net income was \$278.6 million and diluted earnings per share were \$0.97, including \$0.33 per diluted share related to the one-time gain on the building sale. Excluding the gain, diluted earnings per share of \$0.64 grew 28% from \$0.50 per share in the prior year period. Earnings for the quarter also included \$22.5 million of expense related to stock options and other stock-based compensation plans, equivalent to \$0.05 per diluted share, compared with \$12.3 million of expense, or \$0.02 per diluted share, for the prior year period.

Raymond McDaniel, Chairman and Chief Executive Officer of Moody's, commented, "I am pleased to announce that Moody's delivered strong financial performance for both the fourth quarter and full year 2006. We generated strong revenue growth across most business lines, including structured finance and corporate finance ratings as well as in global credit research. While we anticipate that cyclical conditions in some market segments will become less favorable, overall market conditions combined with Moody's revenue diversity should support low-double-digit percent growth in 2007."

In addition to its reported results, Moody's has included in this earnings release certain adjusted results that the Securities and Exchange Commission defines as "non-GAAP financial measures." Management believes that such non-GAAP financial measures, when read in conjunction with the company's reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the company's growth. These non-GAAP financial measures, as described more specifically in the text, include: (1) presenting fourth quarter and full year 2006 and fourth quarter and full year 2005 before the impact of expensing stock-based compensation, (2) presenting fourth quarter 2006 and full year 2006 excluding the gain on sale of Moody's 99 Church Street building, and (3) presenting full year 2006 and full year 2005 excluding adjustments for legacy income tax exposures. Beginning in 2007, stock-based compensation

expense will no longer be excluded from non-GAAP results or outlooks as the impact of stock-based compensation expense has been fully phased in as of 2006. Attached to this earnings release are tables showing adjustments to Moody's fourth quarter and full year results for 2006 and 2005 to explain non-GAAP financial measures excluding the impacts noted above.

Fourth Quarter Revenue

Revenue at Moody's Investors Service for the fourth quarter of 2006 was \$550.3 million, an increase of 26% from the prior year period. Ratings revenue totaled \$480.9 million in the quarter, rising 26% from a year ago. Research revenue of \$69.4 million was 22% higher than in the fourth quarter of 2005.

Within the ratings business, global structured finance revenue totaled \$275.7 million for the fourth quarter of 2006, an increase of 31% from a year earlier. U.S. structured finance revenue rose 27%, driven by strong growth in credit derivatives and commercial mortgage-backed securities ratings, tempered by a modest decline in asset backed securities revenue. International structured finance revenue rose 40%, reflecting strong growth across all asset classes.

Global corporate finance revenue of \$111.1 million in the fourth quarter of 2006 rose 31% from the same quarter of 2005. Revenue in the U.S. rose 22% from the prior year period, reflecting sharply higher levels of rated loan and bond issuance for both investment grade and speculative grade securities. Outside the U.S., corporate finance revenue increased 45% due largely to bond issuance volume in Europe and Canada.

Global financial institutions and sovereigns revenue totaled \$69.9 million for the fourth quarter of 2006, increasing 8% from the prior year period. Revenue in the U.S. was flat to the prior year quarter, following three consecutive quarters of moderate growth. Favorable results in insurance and real estate finance ratings in the U.S. were offset by declines in the banking and the finance and securities sectors. Outside the U.S., revenue rose 13% reflecting strong performance in the banking sectors in both Europe and Asia.

U.S. public finance revenue was \$24.2 million for the fourth quarter of 2006, 18% higher than in the fourth quarter of 2005. This reflected an increase in refunding issuance in the quarter as long-term interest rates remained at low levels.

Moody's global research revenue rose to \$69.4 million, up 22% from the same quarter of 2005. This growth reflected good increases in each of Moody's research product segments, including core research services, licensing of Moody's data to third parties, and sales of data and analytic tools.

Foreign currency translation positively impacted revenue and operating income growth for Moody's Investors Service by approximately 190 basis points and 110 basis points, respectively.

Revenue at Moody's KMV ("MKMV") for the fourth quarter of 2006 was \$39.7 million, 11% higher than in the fourth quarter of 2005. Strong revenue growth from professional services and an increase in revenue from sales of risk product subscriptions were partially offset by declines in revenue from the licensing of credit processing software.

Moody's U.S. revenue of \$360.5 million for the fourth quarter of 2006 was up 22% from the fourth quarter of 2005. International revenue of \$229.5 million was 28% higher than in the prior year period and reflected approximately 450 basis points of positive impact from currency translation. International revenue accounted for 39% of Moody's total revenue in the quarter compared with 38% in the year-ago period.

Fourth Quarter Expenses

Operating expenses for the fourth quarter of 2006 were \$126.7 million which included the gain on the sale of the 99 Church Street building. Excluding the gain, Moody's operating expenses were \$287.3 million in the fourth quarter, 24% higher than in the prior year period. The higher fourth quarter expense was primarily related to higher personnel costs, including performance-based compensation expense and the final phasing-in of expense related to annual stock-based compensation awards, which commenced in January 2003 and generally vests over a four-year period. The quarter's stock-based compensation expense was \$22.5 million compared with \$12.3 million in the 2005 period. Excluding the gain on sale, Moody's operating margin for the fourth quarter of 2006 was 51%, equal to the margin for the same period in 2005.

Fourth Quarter Effective Tax Rate

Moody's effective tax rate for the fourth quarter of 2006 was 39.9% as compared with 38.5% for the prior year period. The tax rate for the fourth quarter of 2006 benefited from the recognition of additional foreign tax credits. The tax rate for the fourth quarter of 2005 benefited from the impact of the American Jobs Creation Act of 2004, which permitted Moody's a one-time opportunity to repatriate funds at a lower tax rate in 2005 than previously.

Full Year 2006 Results

Revenue for the full year 2006 totaled \$2,037.1 million, an increase of 18% from \$1,731.6 million for the same period of 2005. Operating income for the full year

2006 was \$1,259.5 million and net income was \$753.9 million. Excluding the gain on sale of the 99 Church Street building, operating income for 2006 grew 17% from \$939.6 million and net income grew 18% from \$560.8 million in 2005. Diluted earnings per share of \$2.58 for the full year 2006 included \$0.32 per diluted share related to the gain on sale. Excluding the gain, full year diluted earnings per share were \$2.26, 23% higher than \$1.84 for 2005.

Diluted earnings per share for the full year 2006 also included a benefit of \$2.4 million, equivalent to \$0.01 per diluted share, related to a reduction in reserves for legacy income tax exposures. Results for the full year 2005 included a charge of \$9.4 million, equivalent to \$0.02 per diluted share, for the settlement of sales tax matters related to Moody's operations in Japan from 2000 through June 30, 2005, and an \$8.8 million net reduction in income tax reserves, equivalent to \$0.03 per diluted share, primarily related to legacy income tax exposures. Moody's results for the full year 2006 also included \$77.1 million of expense related to stock options and other stock-based compensation plans, or \$0.17 per diluted share, compared with \$54.8 million of similar expense, or \$0.10 per diluted share, in the full year 2005.

Ratings and research revenue at Moody's Investors Service totaled \$1,894.3 million for the full year 2006, an increase of 18% from the prior year period. The impact of currency translation on full year 2006 revenue was not material. Global ratings revenue was \$1,635.6 million for the full year 2006, up 18% from \$1,385.0 million in the same period of 2005. Each of the global ratings business lines achieved year-over-year growth with the exception of U.S. public finance. Research revenue rose to \$258.7 million for the full year 2006, up 20% from the full year 2005. Finally, revenue at MKMV for the full year 2006 totaled \$142.8 million, 9% higher than in the prior year period.

Share Repurchases

During the fourth quarter of 2006, Moody's repurchased 2.3 million shares at a total cost of \$149.6 million and issued 1.1 million shares of stock under stock-based compensation plans. For the full year 2006, Moody's repurchased 18.0 million shares at a total cost of \$1.1 billion and issued 6.5 million shares under stock-based compensation plans. Since becoming a public company in October 2000 and through December 31, 2006, Moody's has repurchased 84.4 million shares at a total cost of \$2.9 billion, including 38.6 million shares to offset shares issued under stock-based compensation plans. At year-end, Moody's had \$1.8 billion of share repurchase authority remaining under the current \$2 billion program.

Outlook for Full Year 2007

Moody's outlook for 2007 is based on assumptions about many macroeconomic and capital market factors, including interest rates, corporate profitability and business investment spending, merger and acquisition activity, consumer spending, residential mortgage borrowing and refinancing activity, securitization levels and capital markets issuance. There is an important degree of uncertainty surrounding these assumptions and, if actual conditions differ from these assumptions, Moody's results for the year may differ from our current outlook.

For Moody's overall, we project low double-digit percent revenue growth for the full year 2007. This growth assumes foreign currency translation in 2007 at current exchange rates, which would result in no material full year impact from currency translation. We expect the operating margin to decline by approximately 150 basis points in 2007, due to investments we are continuing to make to sustain business growth, including international expansion, improving our analytical processes, pursuing ratings transparency and compliance initiatives, introducing new products, improving our technology infrastructure and relocating Moody's headquarters in New York City. On a GAAP basis, diluted earnings per share in 2007 are projected to be modestly lower compared to 2006. However, excluding the one-time gain on the sale of Moody's 99 Church Street building from 2006 results, we project low-double-digit percent growth in 2007 non-GAAP diluted earnings per share. This expected growth includes stock-based compensation expense in 2006 and 2007.

In the U.S., we project low-double-digit percent revenue growth for the Moody's Investors Service ratings and research business for the full year 2007. In the U.S. structured finance business, we expect revenue for the year to rise in the high-single to double-digit percent range, including strong double-digit year-over-year percent growth in revenue from credit derivatives and commercial mortgage-backed securities ratings, partially offset by an expected decline in revenue from residential mortgage-backed securities ratings, including home equity securitization.

In the U.S. corporate finance business, we expect revenue growth in the low double-digit percent range for the year, including good growth from rated bonds, bank loans and new products. We anticipate a stronger first half of 2007 followed by a weaker second half, due in part to an expected moderation in the pace of leveraged buyout transactions.

In the U.S. financial institutions sector, we project revenue in 2007 to grow in the low teens percent range for the year. For the U.S. public finance sector, we expect revenue for 2007 to grow modestly. We forecast growth in the U.S. research business to be about 20%.

Outside the U.S. we expect ratings revenue to grow in the high-teens percent

range with mid- to high-teens percent growth in all major business lines, led by corporate finance revenue growth in Europe and Asia, financial institutions growth in Europe, and growth in international structured finance. We also project about twenty percent growth in international research revenue.

For Moody's KMV globally, we expect growth in sales and revenue from credit risk assessment subscription products, credit decision processing software, and professional services. This should result in low-double-digit percent growth in revenue with greater growth in profitability.

* * *

22. On March 1, 2007, Moody's filed its annual report for the period ended December 31, 2006 with the SEC on Form 10-K, which was signed by Defendant Huber, among others, and reaffirmed the Company's previously announced financial results. Pursuant to Section 302 of Sarbanes-Oxley, the Form 10-K included a certification signed by Huber stating that the Form 10-K did not include any material misrepresentations.

23. On April 25, 2007, Moody's issued a press release announcing its financial results for first quarter 2007. The press release stated in relevant part as follows:

Moody's Corporation Reports Results for First Quarter 2007

- Revenue increased 32% from 1Q-06; Operating Income up 28%; EPS up 27%
- Growth led by both global structured finance and corporate finance ratings
- Repurchased 6.8 million shares for \$443 million
- FY 2007 EPS guidance reaffirmed

NEW YORK--(BUSINESS WIRE)--April 25, 2007--Moody's Corporation (NYSE: MCO) today announced results for the first quarter 2007.

Summary of Results for First Quarter 2007

Moody's reported revenue of \$583.0 million for the three months ended March 31,

2007, an increase of 32% from \$440.2 million for the same quarter of 2006. Operating income for the quarter was \$304.7 million and rose 28% from \$238.3 million for the same period of last year. Diluted earnings per share were \$0.62 for the first quarter of 2007, 27% higher than \$0.49 in the first quarter of 2006.

Raymond McDaniel, Chairman and Chief Executive Officer, commented, "Moody's achieved strong results for the first quarter of 2007. All major business units and geographic regions delivered double-digit percent revenue growth, led by strong gains in both global structured finance and corporate finance ratings. Looking forward, we expect that Moody's will generate results for the remainder of 2007 in line with the outlook that we provided at the beginning of this year."

First Quarter Revenue

Revenue at Moody's Investors Service for the first quarter of 2007 was \$547.4 million, an increase of 34% from the prior year period. Foreign currency translation positively impacted operating results, increasing revenue growth by approximately 240 basis points and operating income growth by a similar amount. Ratings revenue totaled \$472.4 million in the quarter, rising 36% from a year ago. Research revenue of \$75.0 million was 25% higher than in the first quarter of 2006.

Within the ratings business, global structured finance revenue totaled \$251.5 million for the first quarter of 2007, an increase of 44% from a year earlier. U.S. structured finance revenue rose 45%, driven by growth across most asset classes with strong results from rating commercial mortgage-backed securities and exceptional growth from credit derivatives ratings. International structured finance revenue rose 43%, benefiting from broad-based growth across all asset classes, particularly from credit derivatives and residential mortgage-backed securities ratings.

Global corporate finance revenue of \$114.8 million in the first quarter of 2007 rose 40% from the same quarter of 2006. Revenue in the U.S. rose 52% from the prior year period reflecting significant growth in rating fees related to syndicated bank loans and high yield bonds. Outside the U.S., corporate finance revenue increased 19%.

Global financial institutions and sovereigns revenue of \$76.7 million increased 16% for the first quarter of 2007. Financial institutions revenue in the U.S. rose 13% due to strong issuance by insurance companies and good growth in the finance and securities sectors, somewhat offset by weaker issuance in the real estate sector. Outside the U.S., revenue rose 19%, reflecting solid growth in the European banking and insurance sectors due to strong issuance, and good growth in new rating relationships, offset by a modest decline in revenue from rating local

government debt.

U.S. public finance revenue was \$29.4 million for the first quarter of 2007, 15% higher than in the first quarter of 2006, reflecting higher-than-expected refundings and new money issuance fueled by an unanticipated increase in issuance by state and local governments.

Moody's global research revenue rose to \$75.0 million, up 25% from the same quarter of 2006. The quarter's growth was driven by higher revenue in each of Moody's research product areas, including core research related to credit ratings, as well as economic analysis services, data licensing, and credit training. In addition, the unit produced strong revenue growth from new data and analytic products.

Revenue at Moody's KMV ("MKMV") for the first quarter of 2007 was \$35.6 million, 10% higher than in the first quarter of 2006. Revenue from risk product subscriptions grew 13% and revenue from professional services grew 20%. Revenue from licensing of credit processing software and the related software maintenance fees was essentially flat versus the prior year period.

Moody's U.S. revenue of \$378.6 million for the first quarter of 2007 was up 36% from the first quarter of 2006. International revenue of \$204.4 million was 27% higher than in the prior year period and included approximately 590 basis points of positive impact from currency translation. International revenue accounted for 35% of Moody's total in the quarter compared with 37% in the year-ago period.

First Quarter Expenses

Moody's operating expenses were \$278.3 million in the first quarter of 2007, 38% higher than in the prior year period. About two-thirds of the increase was driven by higher personnel costs while the remaining one-third was largely driven by additional lease expense primarily related to Moody's headquarters move later this year and incremental technology investments. Moody's operating margin for the first quarter of 2007 was 52.3%, 180 basis points lower than the prior year period.

First Quarter Effective Tax Rate

Moody's effective tax rate was 41.8% for the first quarter of 2007 compared with 39.5% for the prior year period. The increase was due primarily to the favorable settlement of state tax audits in the prior year and incremental tax expense in the first quarter of this year associated with the adoption of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" effective January 1, 2007.

Share Repurchases

During the first quarter of 2007, Moody's repurchased 6.8 million shares at a total cost of \$442.6 million and issued 2.2 million shares under employee stock-based compensation plans. First quarter share repurchases were funded using a combination of excess free cash and \$80 million financed by Moody's revolving credit facility. Since becoming a public company in October 2000 and through March 31, 2007, Moody's has repurchased 91.2 million shares at a total cost of \$3.3 billion, including 40.8 million shares to offset shares issued under employee stock plans. At quarter-end, Moody's had \$1.3 billion of share repurchase authority remaining under the current \$2 billion program.

Assumptions and Outlook for Full Year 2007

Moody's outlook for 2007 is based on assumptions about many macroeconomic and capital market factors, including interest rates, corporate profitability and business investment spending, merger and acquisition activity, consumer spending, residential mortgage borrowing and refinancing activity and securitization levels. There is an important degree of uncertainty surrounding these assumptions and, if actual conditions differ from these assumptions, Moody's results for the year may differ from our current outlook.

For Moody's overall, we project low-teens percent revenue growth for the full year 2007. This growth assumes foreign currency translation in 2007 at current exchange rates. We continue to expect the full-year operating margin, excluding the one-time gain on the sale of Moody's 99 Church Street building from 2006 results, to decline by approximately 150 basis points in 2007 compared with 2006. This reflects investments to sustain business growth including: international expansion, improving our analytical processes, pursuing ratings transparency and compliance initiatives, introducing new products, improving our technology infrastructure and relocating Moody's headquarters in New York City. We expect our quarterly spending pattern to differ from previous years, which could result in quarterly operating margins that differ materially from our full-year expectations. On a GAAP basis, diluted earnings per share in 2007 are still projected to be modestly lower compared to 2006. However, excluding the one-time gain on the building sale from 2006 results, we continue to project low-double-digit percent growth in 2007 diluted earnings per share.

In the U.S., we still project low-double-digit percent revenue growth for the Moody's Investors Service ratings and research business for the full year 2007. In the U.S. structured finance business, we now expect revenue for the year to rise in the high-single-digit percent range, including solid double-digit year-over-year percent growth in revenue from credit derivatives and commercial mortgage-backed securities ratings, partially offset by a decline in revenue from residential mortgage-backed securities ratings, including home equity securitization, in the low-teens percent range, which is a greater decline than the

mid-single digit percent decline originally forecast.

In the U.S. corporate finance business, we now expect revenue growth in the mid-twenties percent range for the year, up from our previous expectation of low double-digit percent growth, largely due to a higher volume of leveraged transactions than previously anticipated.

In the U.S. financial institutions sector, we continue to expect revenue to grow in the low-teens percent range. For the U.S. public finance sector, we continue to forecast revenue for 2007 to grow modestly despite better performance in the first quarter, due to a softening of issuance in certain sectors, including healthcare, higher education and infrastructure. We continue to expect growth in the U.S. research business to be about twenty percent.

Outside the U.S. we still expect ratings revenue to grow in the high-teens percent range with high-teens percent growth across all major business lines, led by corporate finance revenue growth in Europe and Asia, financial institutions growth in Europe, and growth in international structured finance. We also now project growth in the low twenties percent range for international research revenue.

For Moody's KMV globally, we continue to expect growth in sales and revenue from credit risk assessment subscription products, credit decision processing software, and professional services. This should result in low-double-digit percent growth in revenue with greater growth in profitability.

* * *

24. On May 3, 2007 Moody's filed its quarterly report for the period ended March 31, 2007 with the SEC on Form 10-Q, which was signed by Defendant Huber and reaffirmed the Company's previously announced financial results. Pursuant to Section 302 of Sarbanes-Oxley, the Form 10-Q included a certification signed by Huber stating that the Form 10-Q did not include any material misrepresentations.

25. Defendant's statements described in ¶¶19-24, above, were materially false and misleading because Defendant misrepresented or failed to fully disclose that the Company assigned excessively high ratings to bonds backed by risky subprime mortgages – including

bonds packaged as collateralized debt obligations – which was materially misleading to investors concerning the quality and relative risk of these investments. Moreover, even as a downturn in the housing market caused rising delinquencies of the subprime mortgages underlying such bonds, Moody's maintained its excessively high ratings, rather than downgrade the bonds to reflect the true risk of owning subprime-mortgage-backed debt instruments.

Disclosures at the End of The Class Period

26. Then, on July 11, 2007, Moody's shocked investors when it announced that the Company was downgrading 399 mortgage-backed securities issued in 2006 and reviewing an additional thirty-two for downgrade, affecting approximately \$5.2 billion of bonds. The Company also disclosed that it had downgraded 52 bonds issued in 2005.

CLASS ACTION ALLEGATIONS

27. Plaintiff brings this action as a class action pursuant to Rules 23(a) and (b)(3) of the Federal Rule of Civil Procedure on behalf of a Class, consisting of all persons who purchased or otherwise acquired Moody's common stock between October 25, 2006 and July 10, 2007, inclusive (the "Class Period"), and who were damaged thereby. Excluded from the Class are Defendant, members of the immediate family of Defendant, any subsidiary or affiliate of Moody's and the directors, officers, and employees of Moody's or its subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

28. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are thousands

of members of the Class located throughout the United States. Record owners and other members of the Class may be identified from records maintained by the Company and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

29. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class were similarly affected by Defendant's wrongful conduct in violation of federal law that is complained of herein.

30. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

31. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether the federal securities laws were violated by Defendant's acts and omissions as alleged herein;

(b) whether Defendant participated in and pursued the common course of conduct complained of herein;

(c) whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, operations, financial condition, and prospects of Moody's;

(d) whether statements made by Defendant to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the business, operations, value, performance, and prospects of the Company;

- (e) whether the market price of Moody's common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and
- (f) the extent to which the members of the Class have sustained damages and the proper measure of damages.

32. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

**APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE**

33. At all relevant times, the market for Moody's common stock was an efficient market for the following reasons, among others:

- (a) Moody's common stock was listed and actively traded on the NYSE, a highly efficient market;
- (b) As a regulated issuer, the Company filed periodic public reports with the SEC; and,
- (c) Moody's regularly issued press releases which were carried by national news wires. Each of these releases was publicly available and entered the public marketplace.
- (d) As a result, the market for Moody's securities promptly digested current information with respect to the Company from all publicly available sources and reflected such

information in the Company's stock price. Under these circumstances, all purchasers of Moody's common stock during the Class Period suffered similar injury through their purchase of stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

34. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. To the extent that the specific statements pleaded herein were identified as forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendant is liable for those false forward-looking statements because at the time each of those forward-looking was made Defendant knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of the Company who knew that those statements were false when made.

SCIENTER ALLEGATIONS

35. As alleged herein, Defendant acted with scienter in that Defendant knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendant Huber, by virtue of her

receipt of information reflecting the true facts regarding Moody's, her control over, and/or receipt and/or modification of Moody's allegedly materially misleading misstatements and/or her associations with the Company which made her privy to confidential proprietary information concerning Moody's, participated in the fraudulent scheme alleged herein.

FIRST CLAIM

Breach of Fiduciary Duty

36. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

37. Defendant Huber owed a fiduciary duty to the Class, as purchasers and owners of Moody's stock.

38. Defendant, by means of her making the foregoing false and misleading statements, breached her fiduciary duty to the Class.

SECOND CLAIM

Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5 Promulgated Thereunder

39. Plaintiff repeats and realleges each and every allegation contained above.

40. Defendant: (a) knew or recklessly disregarded material adverse nonpublic information about the Company's financial results and then existing business conditions, which was not disclosed; and (b) participated in drafting, reviewing and/or approving the misleading statements, releases, reports, and other public representations of and about Moody's.

41. During the Class Period, Defendant, with knowledge of or reckless

disregard for the truth, disseminated or approved the false statements specified above, which were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

42. Defendant has violated § 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder in that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon the purchasers of Moody's stock during the Class Period.

43. Plaintiff and the Class have suffered damage in that, in reliance on the integrity of the market, they paid artificially inflated prices for Moody's stock. Plaintiff and the Class would not have purchased Moody's stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendant's false and misleading statements.

THIRD CLAIM

Violations Of Section 20(a) Of The Exchange Act

44. Plaintiff repeats and realleges each and every allegation contained above.

45. Defendant Huber acted as controlling person of the Company within the meaning of § 20(a) of the Exchange Act. By reason of her senior executive positions she had the power and authority to cause the Company to engage in the wrongful conduct complained of herein.

46. By reason of such wrongful conduct, the Defendant is liable pursuant to § 20(a) of the Exchange Act. As a direct and proximate result of her wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of Moody's stock during the Class Period.

PRAYER FOR RELIEF


WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- A. Determining that this action is a proper class action and certifying Plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure;
- B. Awarding compensatory damages in favor of Plaintiff and the other Class members against Defendant, for all damages sustained as a result of Defendant's wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- D. Such other and further relief as the Court may deem just and proper.

Respectfully submitted,

Dated: July 19, 2007

O'ROURKE KATTEN & MOODY

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Attorneys for Plaintiff

**SWORN CERTIFICATION OF PLAINTIFF RAPHAEL NACH
MOODY'S CORPORATION SECURITIES LITIGATION**

I, Raphael Nach, certify that:

1. I have reviewed the Complaint and authorized its filing.
2. I did not purchase MOODY'S CORPORATION, the security that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in MOODY'S CORPORATION during the Class Period set forth in the Complaint are as follows:

I bought 36 shares on 12/26/2006 at \$70.80 per share
5. I have not served as a representative party on behalf of a class under this title during the last three years.
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

☐ Check here if you are a current employee or former employee of the defendant Company.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: 7/16/07


(Please Sign Your Name Above)
RAPHAEL NACH